NATIONAL FEDERATION OF INDEPENDENT BUSINESS,
*June 26, 1997.*

Hon. CHRISTOPHER BOND,
*U.S. Senate, Washington, DC.*

DEAR SENATOR BOND: On behalf of the 600,000 members of the National Federation of Independent Business, I am writing to express our strong support for 100% deductibility of the amounts paid for health insurance for self-employed business owners.

The CEOs of large corporations can deduct 100 percent of their health care costs, while the self-employed can only currently deduct 40 percent of their health care costs. This is simply not fair. The Kassebaum/Kennedy health care law was a good first step, but still does not give the self-employed the fairness they deserve in that the law only allows the self-employed to deduct 80 percent of their health care costs by the year 2006.

The self-employed have an extremely difficult time purchasing health insurance. This is why 3 million self-employed business owners currently have no health insurance, nor do 1.3 million of their children. Full deductibility will help make health insurance more affordable for these small business owners. Therefore, the self-employed need full deductibility now.

Sincerely,

DAN DANNER,
*Vice President,*
*Federal Governmental Relations.*

Mr. BOND. I yield the floor.

Mr. NICKLES. Mr. President, would the Senator from Delaware give me 4 minutes?

Mr. ROTH. I yield 4 minutes to the Senator from Oklahoma.

Mr. NICKLES. Mr. President, one, I want to ask my colleagues to vote no on the Durbin-Bond amendment and tell them I think I have a pretty good record—I heard the support of NFIB for deductibility for the self-employed. I used to be self-employed, so I support that.

For my colleagues' information, I will be offering an amendment after the Durbin amendment, very soon, that will accelerate and allow self-employed people to deduct a greater percentage for their health insurance at a much faster rate than now is under existing law. It does not go to 100 percent, but likewise we do not increase taxes another 10 cents, which I think a lot of people, not just from tobacco States, are saying ''Wait, we are already increasing it 20 cents, almost doubling the tax, should we do another 10 cents?''

I might mention the Finance Committee said we would stop at 20 cents. I do not think the Durbin amendment will become law. I want to let my colleagues know we will offer an amendment that will accelerate deductibility for the self-employed. We will be offering that subsequent to this so they can vote no on the Durbin amendment, vote yes on the amendment that Senator HAGEL and I will be introducing momentarily that will give the self-employed a greater benefit for deducting their insurance.

I yield the floor.

Mr. ROTH. I am pleased to yield 5 minutes to the Senator.

Mr. FORD. My other colleague will need some time, too. I thank the chairman.

You know, Mr. President, this has been an interesting week. We had a negotiation with the attorneys general around the country, and the tobacco industry is stuck for almost $370 billion. The price of cigarettes go up. How much more do you want? And then the Finance Committee puts on 20 cents more, and that raises the price of cigarettes and smokeless tobacco. And now we want to put on 11 cents more. Why? To help the small businessman get a deductible on his health insurance?

At the same time, you are putting 65,000 farm families out of work in my State. You say you are going to help. You may never get the bill to help. I think it is time to stop it. It is time we quit. My farmers have to survive. And we hear all the States have an excise tax. Well, we had a good many here in the past that would vote against any excise tax because they thought it all should go to the States. It is their prerogative. But when you add 20 cents onto the State, and you add another 11 cents onto the State, then you add 75 cents on, if you get the negotiated agreement out there, the income to the community and to the Federal Government are going to go straight down. They are playing with funny money, because the more you increase it, the less income you are going to have. When you increase the tax, the less income you are going to have. So now you say you have all this income coming in—you are playing with funny money.

One other point, Mr. President. You talk about low income—59.5 percent of this tax will come out of those who make less than $30,000 a year—$30,000 a year—and 34 percent of the money the Senator from Illinois and the Senator from Missouri want will come from those that make less than $15,000. Talk about the little man—you are talking away from the man that makes $15,000 and a man with a family that makes less than $30,000. You are going to take 60, 65 percent of that money from that group. What do they benefit? You put them out of business.

I ask unanimous consent to have printed in the RECORD the Tax Foundation's analysis on where the cigarette tax and smokeless tax would come from and how many States would lose what money, and how many individuals of what financial income category would have to pay for this.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

BOTTOM LINE ON FINANCE COMMITTEE'S PROPOSED 20¢ CIGARETTE EXCISE HIKE: BOTTOM INCOME EARNERS WOULD PICK UP MOST OF THE TAB

WASHINGTON, D.C., JUNE 20, 1997.—The Senate Finance Committee' proposed 20¢ per pack addition to the current 24¢ federal cigarette excise could play havoc with lower-income Americans' pocketbooks, according to an analysis by the Tax Foundation.

Tax Foundation Economist Patrick Fleenor says that, judging by historic cigarette consumptions patterns, over a third of the $15 billion that the Finance Committee hopes to bring in over five years will be paid by those earning less than $15,000 a year (see Chart 1). Another 25 percent of the total revenues will be paid by Americans earning between $15,000 and $30,000. In all, those earning $30,000 or less would foot about 60 percent of the total bill for the new tax.

CHART 1: NEW COLLECTIONS BY INCOME GROUP BASED ON FINANCE COMMITTEE'S 20¢ CIGARETTE EXCISE HIKE

| Adjusted gross income | 5-year total (millions) | Share of tax burden (percent) |
|---|---|---|
| under $15,000 | $5,098.2 | 34.0 |
| $15,000 under $30,000 | 3,819.9 | 25.5 |
| $30,000 under $45,000 | 2,315.2 | 15.4 |
| $45,000 under $60,000 | 1,318.8 | 8.8 |
| $60,000 under $75,000 | 911.6 | 6.1 |
| $75,000 under $115,000 | 982.5 | 6.6 |
| $115,000 under $300,000 | 474.2 | 3.2 |
| $300,000 and over | 80.0 | 0.5 |
| Total | 15,000.0 | 100.0 |

Source: Tax Foundation estimates based on data from IRS, Bureau of the Census, and Center for Disease Control.

Juxtaposed to this, those earning $115,000 or more will account for less than four percent of the additional tax revenues.

''Whether the Finance Committee recognizes it or not, the proposed tax will really make a dent in the budgets of America's lower-income households,'' Mr. Fleenor stated.

In a state by state comparison, California will bear the single largest burden if the new tax is enacted, paying $1.16 billion to the U.S. Treasury over five years (see Chart 2). The 10 states with the highest projected tax payments will pay 50 percent of the overall tax increase, according to Mr. Fleenor's calculations (see Chart 3).

*Chart 2: New collections by State based on Finance Committee's 20¢ cigarette excise hike, 5-year total*

[Share of tax burden; in millions of dollars]

| | |
|---|---|
| Alabama | $278.1 |
| Alaska | 35.0 |
| Arizona | 200.0 |
| Arkansas | 177.7 |
| California | 1,155.5 |
| Colorado | 199.2 |
| Connecticut | 167.5 |
| Delaware | 57.7 |
| Florida | 852.0 |
| Georgia | 452.2 |
| Hawaii | 34.9 |
| Idaho | 56.3 |
| Illinois | 638.8 |
| Indiana | 501.8 |
| Iowa | 169.4 |
| Kansas | 148.0 |
| Kentucky | 429.5 |
| Louisiana | 293.7 |
| Maine | 81.8 |
| Maryland | 251.2 |
| Massachusetts | 299.7 |
| Michigan | 507.3 |
| Minnesota | 246.5 |
| Mississippi | 183.3 |
| Missouri | 420.7 |
| Montana | 48.8 |
| Nebraska | 92.1 |
| Nevada | 92.1 |
| New Hampshire | 115.6 |
| New Jersey | 413.1 |
| New Mexico | 70.2 |
| New York | 829.5 |
| North Carolina | 563.5 |
| North Dakota | 33.0 |
| Ohio | 801.8 |
| Oklahoma | 229.0 |
| Oregon | 186.8 |
| Pennsylvania | 743.4 |
| Rhode Island | 59.1 |
| South Carolina | 258.1 |
| South Dakota | 45.7 |
| Tennessee | 413.7 |